

FEDERAL RESERVE SYSTEM

Deutsche Genossenschafts-Hypothekenbank AG
Hamburg, Germany

Order Approving Establishment of a Representative Office

Deutsche Genossenschafts-Hypothekenbank AG (“Bank”), Hamburg, Germany, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times*, July 8, 2005). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$93 billion,¹ is the third largest mortgage bank in Germany and is primarily engaged in commercial real estate financing. Outside Germany, Bank operates representative offices in Paris, London, and Amsterdam. Bank’s proposed New York office would be its first office in the United States. Bank is a subsidiary of Deutsche Zentral-Genossenschaftsbank AG, Frankfurt, Germany (“DZ Bank”), one of two regional central banks for the German cooperative financial sector. DZ Bank engages in banking operations in the United States through its branch in New York, New York, and also engages in nonbanking activities in the United States through a number of subsidiaries. DZ Bank owns

¹ Unless otherwise indicated, data are as of June 30, 2005.

5.1 percent of Bank directly and 62.6 percent of Bank indirectly through a wholly owned subsidiary, VR-Immobilien AG (“VR Immo”).²

The proposed representative office would market Bank’s real estate loans to existing and potential customers in the United States. Bank would also seek syndication opportunities through the proposed office.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, the Board shall take into account whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately; (2) the foreign bank and any foreign bank parent engages directly in the business of banking outside the United States; and (3) the foreign bank and any foreign bank parent is subject to comprehensive supervision on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2)).³ The Board also may take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)).

² The remaining shares of DZ Bank are owned by four cooperative holding companies that own the shares in trust for VR Immo. Local credit cooperatives hold the ownership interests in these four companies

³ In assessing the supervision standard, the Board considers, among other factors, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank’s financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board’s determination.

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

With respect to supervision by home country authorities, the Board previously determined that DZ Bank's predecessor, Deutsche-Genossenschaftsbank AG, was subject to comprehensive consolidated supervision in connection with the application of its foreign bank subsidiary, Deutsche VerkehrsBank, to establish a representative office in the United States.⁴ In addition, the Board has determined in connection with applications involving other mortgage banks in Germany that those banks were subject to supervision on a consolidated basis by their primary home country supervisor, Germany's Federal Agency for the Supervision of Financial Services ("BaFin").⁵ Bank is supervised by BaFin on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been determined that Bank is, and DZ Bank continues to be, subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The additional standards set forth in section 7 of the IBA and Regulation K (see 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)) have also been taken into account. BaFin has no objection to the establishment of the proposed representative office.

⁴ See Deutsche VerkehrsBank, 85 Federal Reserve Bulletin 588 (1999). That finding was affirmed in connection with DZ Bank's 2004 election to be treated as a financial holding company.

⁵ See e.g., Hypothekenbank in Essen AG, 90 Federal Reserve Bulletin 402 (2004); Allgemeine HypothekenBank Rheinboden AG, 88 Federal Reserve Bulletin 196 (2002); DePfa Bank AG, 87 Federal Reserve Bulletin 710 (2001); and Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG, 86 Federal Reserve Bulletin 658 (2000)).

With respect to the financial and managerial resources of Bank, consideration of Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, indicates that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Germany is a member of the Financial Action Task Force and subscribes to its recommendations regarding measures to combat money laundering and international terrorism. In accordance with these recommendations, Germany has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Germany, and credit institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Bank has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money-laundering compliance.

With respect to access to information on Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed and relevant government authorities have been communicated with regarding access to information. Bank and its parent companies have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the

extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, BaFin may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Bank has provided adequate assurances of access to any necessary information that the Board may request.

Based on the foregoing and all the facts of record, Bank's application to establish a representative office is hereby approved.⁶ Should any restrictions on access to information on the operations or activities of Bank or its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the conditions imposed in this order and the commitments made to the Board in connection with this application.⁷ For purposes of this action, these commitments and conditions are deemed to be conditions imposed by the Board

⁶ Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

⁷ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York to license the proposed office of Bank in accordance with any terms or conditions that it may impose.

in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective October 25, 2005.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board